

Regular Session, 2009

HOUSE BILL NO. 593

BY REPRESENTATIVE BILLIOT

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

LOCAL FINANCE/INVESTMENT: Provides with respect to the investment in bonds by political subdivisions

1 AN ACT

2 To enact R.S. 33:2955(A)(1)(j), relative to investments by political subdivisions; to provide
3 for investment in debt instruments issued by the state; to provide for investment in
4 debt instruments issued by other political subdivisions; to provide restrictions on
5 such types of investment; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 33:2955(A)(1)(j) is hereby enacted to read as follows:

8 §2955. Investments by political subdivisions

9 A.(1) All municipalities, parishes, school boards, and any other political
10 subdivisions of the state are hereby authorized and directed to invest such monies in
11 any general fund or special fund of the political subdivision, and any other funds
12 under the control of the political subdivision which they, in their discretion, may
13 determine to be available for investment in any of the following obligations:

14 * * *

15 (j) Bonds, debentures, notes, or other evidence of indebtedness issued by the
16 state of Louisiana or any of its political subdivisions; however:

17 (i) No political subdivision may purchase its own indebtedness.

18 (ii) The indebtedness shall have a minimum investment grade rating of Baa3
19 or higher by Moody's Investor Service, a rating of BBB- or higher by the Standard

1 and Poor Corporation or a rating of BBB- or higher by Fitch, Inc. and have a final
2 maturity of no more than three years.

3 * * *

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Billiot

HB No. 593

Abstract: Authorizes political subdivisions to invest in debt instruments issued by the state or its political subdivisions.

Present law authorizes municipalities, parishes, school boards, and other political subdivisions to invest available monies in certain types of investment vehicles. Subject to certain restrictions, these authorized investments include but are not limited to:

- (1) U.S. Treasury obligations.
- (2) Bonds, notes, etc., backed by the full faith and credit of the U.S.
- (3) Bonds, notes, etc., issued or guaranteed by U.S. government instrumentalities.
- (4) Direct security purchase agreements.
- (5) Certificates of deposit.
- (6) Mutual or trust fund institutions.

Proposed law retains present law and further authorizes political subdivisions to invest in debt instruments issued by the state or its political subdivisions.

Proposed law requires that the investments meet a certain minimum national investment grade rating. Further requires that the debt instruments have a final maturity of three years or less. Proposed law also prohibits a political subdivision from buying its own debt.

(Adds R.S. 33:2955(A)(1)(j))

Summary of Amendments Adopted by House

House Floor Amendments to the engrossed bill.

1. Adds limitation on maturity of debt instruments.